Fiscal Note 2009 Biennium

Bill #	HB0040	**Title:**	Revise state movie incentive laws
Primary Sponsor:	Gallik, Dave	**Status:**	As Amended

- ☐ Significant Local Gov Impact
- ☐ Needs to be included in HB 2
- ☑ Technical Concerns
- ☐ Included in the Executive Budget
- ☑ Significant Long-Term Impacts
- ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2008 Difference	FY 2009 Difference	FY 2010 Difference	FY 2011 Difference
Revenue:				
General Fund	($51,300)	($51,300)	($51,300)	($51,300)
State Special Revenue	($13,500)	($13,500)	($13,500)	($13,500)
Net Impact-General Fund Balance:	($51,300)	($51,300)	($51,300)	($51,300)

Description of fiscal impact: HB 40 amends the Big Sky on the Big Screen Act by removing the $1 million limitation on the amounts of tax credits allowed, standardizes the application fee for tax credits at $500, increases the percentages used to determine the amount of allowable tax credits for Montana labor (from 12 to 14 percent) and for qualified Montana expenditures (from 8 to 9 percent). The amended bill also requires the taxpayer certify that all Montana vendors have been paid in full before the credit can be claimed.

FISCAL ANALYSIS

Assumptions:

Department of Commerce

1. In 2003, the last year in which production expenditures were estimated by a professional economic research company, qualified film production expenditures for the employment tax credit totaled $1,026,000, and qualified expenditures that would have been eligible for the qualified expenditures credit totaled $3,078,000. For purposes of this fiscal note, it is assumed that future production expenditures would be at the same level.

2. Current law allows for a 12% tax credit to certified production companies for employment of Montana labor, or $123,120 (12% * $1,026,000 = $123,120). HB 40 as amended increases the percentage of the

Montana labor credit from 12% to 14%, or $143,640 (14% * $1,026,000 = $143,640). Therefore, general fund revenues would decrease by $20,520 ($143,640 - $123,120 = $20,520).

3. Current law allows for a 8% tax credit to certified production companies based on qualified expenditure credits, or $246,240 (8% * $3,078,000 = $246,240). HB 40 as amended increases the percentage of the Montana qualified expenditure credit from 8% to 9%, or $277,020 (9% * $3,078,000 = $277,020. Therefore, general fund revenues would decrease by $30,780 ($277,020 - $246,240 = $30,780).
4. HB 40 removes the 1 million dollar cap on the current incentive bill. However there is no way to accurately estimate what effect the removal of this cap would have on the general fund.
5. HB 40 standardizes the fee structure at $500 dollars per production, and removes the additional fee of $75.00 per employee on productions with a payroll of over $30,000. Based on 2003 figures, there were 71 eligible productions, and if each production applied for the incentive, and paid the standardized fee there would be $35,500 (500 * 71 = $35,500) in revenues generated. Current law requires an additional fee of $75.00 per eligible employee on certified productions with total payrolls over $30,000. In 2003 there were approximately 9 film productions with payrolls over $30,000 and there was an average crew size of 20 eligible employees on those 9 productions. Therefore, $13,500 less in revenues would be generated ((9 productions * 20 employees) * $75.00 fee per employee = $13,500). Application fees are deposited in a state special revenue account and the fees are statutorily appropriated in equal amounts to the Departments of Revenue and Commerce, or $6,750 per agency ($13,500 / 2 = $6,750).
6. The above analysis relies on the professional research company study of 2003 data to provide information on the long term impacts of the revised credit, but the following additional information should be noted. Tax year 2005 was the first year that the film production credit was available to taxpayers. Very few taxpayers took the credit in tax year 2005 on the individual income tax form; total credits granted were $806. Credits can also be claimed on the corporate tax form but equivalent data for tax year 2005 will not be available for several months.
7. The Department of Revenue will not have any additional administrative costs when implementing this legislation.

	FY 2008 Difference	FY 2009 Difference	FY 2010 Difference	FY 2011 Difference
Fiscal Impact:				
Revenues:				
General Fund (01)	($51,300)	($51,300)	($51,300)	($51,300)
State Special Revenue (02)	($13,500)	($13,500)	($13,500)	($13,500)
TOTAL Revenues	($64,800)	($64,800)	($64,800)	($64,800)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($51,300)	($51,300)	($51,300)	($51,300)
State Special Revenue (02)	($13,500)	($13,500)	($13,500)	($13,500)

Long-Range Impacts:

Department of Commerce

1. If the credits allowed in this bill were to result in more film productions being made in Montana, the amounts of the credits and the impact to the general fund would increase. However, new tax revenues generated by increased film production would also increase.

Technical Notes:

Department of Revenue

1. HB 40 requires the taxpayer to certify to the Department of Revenue (DOR) that the credit-related expenses have been paid. The DOR has no systematic way of verifying that the taxpayer is not swearing falsely. Further, this bill does not provide the DOR with the authority to enforce collections if the DOR awarded this credit, but then found out that the taxpayer did not pay their expenses.

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*